



Section 1

Executive Summary

Nexant, Inc., in association with GDS Associates, is pleased to submit this proposal for Contract Administrator to the Board of the Sustainable Energy Utility (“SEU”) and the Delaware Energy Office. Nexant and GDS have a wide range of experience developing, administering and evaluating energy programs throughout the country. We are well positioned to assist the DEO with the planning and delivery of energy programs for the State of Delaware.

The SEU concept represents a dramatic and innovative evolution in the structure of energy programs. The approach envisioned by the State of Delaware represents an exciting opportunity to link program expenditures to the financial performance of these investments. This vision also encourages the organic growth of the SEU by incorporating benefits which can be derived from new markets for environmental attributes and from the financial performance of investments at participant's facilities. Nexant and GDS are pleased to have this opportunity to offer our services and help optimize the synergies inherent in this vision. We are committed to developing and administering a suite of energy efficiency and environmentally beneficial programs that work both technically and financially.

As a result of our preliminary market analysis and careful review of the goals of the SEU, Nexant has proposed programs with financing structures that can optimize the funds available for investment even if bonding structures are not put into place in the near term. Subject to the final Market Potential Study, these structures could result in approximately \$114,000,000 of investments at participant's facilities during a four year period.

The SEU anticipates initial funding from two primary sources. Pursuant to Senate Bill 263, the SEU will retain 65% of the proceeds of an auction of CO2 allowances retained by the State of Delaware as set forth in the Regional Greenhouse Gas Initiative. These allowances are to be used to “promote energy efficiency” and for the “mitigation of electricity ratepayer impacts attributable to RGGI”. We believe our proposal addresses these goals by making economics a central program design criteria.

In addition, the SEU has reviewed two potential bond programs set forth in white papers provided by bond counsel to the Board of the SEU. Due to the turmoil in the financial markets and the potential requirement of legislative action to implement the Green Bond financing structure, Nexant has proposed alternative methods to capitalize future benefits for the purpose of leveraging the opportunity to invest in energy programs in Delaware. One of these methods is the sale (“monetization”) of some or all of a future stream of environmental attributes generated by SEU investment activity or the assignment of this stream to securitize a bond. Another method would be to use energy savings payments within a financing program sponsored by the SEU to generate a revenue stream for future investments or to secure funding through either a Tax-Exempt Municipal Lease Purchase structure or other commercial financing structure. For taxable commercial entities, either a Capital Leasing program or a Power Purchase Agreement may be appropriate.



Nexant has developed a Program Dashboard to assist in allocating funds and estimating program effectiveness. Nexant looks forward to using this tool and in partnership with the Board of the SEU, choosing the suite of programs and funding levels for those programs that best meet the economic and programmatic needs of the State of Delaware.

To achieve the potential investment of \$114,000,000 in efficiency and renewable energy that we have estimated, Nexant has emphasized programs that are financially compelling and will begin these programs immediately. Some of these programs provide funding for 100% of the incremental cost of high efficiency products. Other programs encourage investment in renewable energy by monetizing environmental benefits and using these benefits to provide incentives to program participants. These programs include:

- Quick Launch Residential Products Program
- Quick Launch Lighting Program for small and large businesses
- Quick Launch Audit Program to develop large, comprehensive opportunities
- Quick Launch Weatherization Assistance Program
- Quick Launch Residential Solar Programs
- Near Term Residential Geothermal Program
- Near Term Comprehensive C&I Finance Program

We are particularly excited about this opportunity because the project's challenges and key deliverables line up so well with our team's strengths:

- We get the savings right. In practice, actual savings are best estimated and measured only after the direct application of engineering fundamentals and measurements taken in the field. Simply put, Nexant has excellent capabilities in the science of hands-on performance verification. Over the past two decades our engineers have conducted literally thousands of performance verification analyses spanning the complete range of market segments and end use technologies.
- Our team has a keen understanding of market penetration and how programs work. GDS Associates is a premier firm, and New England's provider of choice, in implementing complex evaluations and benchmarking program practices. GDS is unparalleled in its ability to evaluate how well programs work and estimating market effects.
- We have well-practiced knowledge of energy economics and energy pricing, prerequisites for conducting Program Economic Analyses. Our experience with both very large and very small utility clients is that scrupulous attention to details, adherence to deadlines, and clear communications are crucial to successfully managing stakeholder expectations. Because we also implement successful programs, we understand performance-linked cost recovery firsthand and place extreme importance on the accurate, timely reporting of performance results.



There are several important aspects of our proposal that enable Nexant, as the prime contractor, to provide superior service to the Delaware Energy Office and the Sustainable Energy Utility:

- Nexant will leverage its experience throughout the country designing, administering and evaluating energy efficiency programs including experience with over \$100,000,000 of program activity undertaken through our White Plains Office in the State of New York.
- Three senior level staff from our White Plains Office will relocate to Delaware and provide the initial local staffing for the SEU operation.
- The Nexant staff in Delaware will build on more than 25 years of experience developing the financial and contractual structures needed to fund projects and manage performance risk.
- Nexant's Clean Energy Solutions is a national leader in developing, aggregating and marketing environmental attributes, and will provide a valuable service in monetizing this resource in order to provide additional funding for renewable and energy efficiency projects.
- Nexant has created certain innovative preliminary program designs that both provide incentives for participants and create revenue streams for the SEU. These programs will help the SEU leverage its financial resources, secure financing, and replenish funding sources.
- Nexant has created an innovative Program Dashboard that provides a tool to help the Board evaluate the optimum allocation of resources to achieve its programmatic and financial goals.
- Nexant's engineering and measurement and verification expertise is superior. The technical quality and depth of our team are important in delivering energy programs that deliver as promised.

Nexant and GDS Associates look forward to working with the Board of the SEU and the Delaware Energy Office. We appreciate the opportunity to build on the programs currently sponsored by the Delaware Energy Office and hope to deliver a program portfolio that exceeds expectations and realizes the full potential of the SEU.